STATE OF CALIFORNIA BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION

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TO: World Over the Counter Limited d/b/a World OTC 7535 East Hampden Avenue, Suite 500 Denver, Colorado 80231 www.worldotc.com

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DESIST AND REFRAIN ORDER (For violations of sections 25110 and 25401 of the Corporations Code)

The Commissioner of Financial Protection and Innovation (Commissioner) finds that:

- The Department of Financial Protection and Innovation (Department) regulates the 1. offer and sale of securities in California under the Corporate Securities Law of 1968 (Cal. Corp. Code §§ 25000-25707) (CSL).
- 2. At all relevant times, World Over the Counter Limited, doing business as World OTC (World OTC), is and was a Colorado limited liability company with a principal place of business at 7535 East Hampden Avenue, Suite 500, Denver, Colorado 80231. World OTC operated the website www.worldotc.com.
- 3. Beginning at least as early as 2022, World OTC offered and sold securities in the form of investment contracts in California through general solicitations on its website. World OTC referred to these investment contracts as "Investments."
- 4. World OTC held itself out as a cryptocurrency trading platform. The purported purpose of the securities offerings was for World OTC to use investor funds to engage in cryptocurrency trading, which in turn would generate returns for investors who deposited funds.
- 5. World OTC's Investments promised to pay investors a 3.2% fixed daily rate of return. The Investments were publicly available to investors in California via World OTC's website: www.worldotc.com.
- 6. After investors created their accounts on the World OTC website, investors could log into their account using their username and password to monitor their purported balance and returns, deposit funds, and request withdrawals.

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- 7. World OTC facilitated deposits and withdrawals using crypto assets, including Tether (USDT).
- 8. World OTC also had a referral program that operated in the manner of a pyramid scheme. The referral program promised to pay investors to recruit new investors. According to this referral program, investors would be paid a commission based on the amount of funds deposited by the investors that they recruited. Investors would also be paid additional commissions when the investors that they recruited, in turn, recruited new investors.
- 9. Investors seeking to take advantage of World OTC's referral program created and posted videos to YouTube and posted content on other social media websites to recruit others to invest in World OTC.
- In fact, World OTC was luring investors into what is known as a High Yield 10. Investment Program (HYIP). HYIPs are unregistered investments typically run by unlicensed individuals – and are often frauds. The hallmark of an HYIP scam is the promise of high returns on an annual (or even monthly, weekly, or daily) basis at little or no risk to the investor. Another key element of most HYIPs is a referral program, in which the HYIP offers referral commissions or bonuses to investors to recruit new investors. This usually leads to investors sharing information about the HYIP with their friends and family and promoting HYIPs on social media. HYIPs rarely disclose the identities of the individuals operating the HYIP.
- 11. The Investments offered by World OTC were securities that were neither qualified nor exempt from the qualification requirement under the CSL. The Department has not issued a permit or other form of qualification authorizing World OTC to sell these securities in California.
- 12. In connection with the offer or sale of these securities, World OTC made material omissions to potential investors, including but not limited to the following:
 - a. failing to disclose that the offer or sale of its Investment Plans was not qualified in California;
 - b. failing to disclose the identities of the individuals operating and/or managing World OTC;

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- c. failing to provide any qualifications to substantiate World OTC's claims that it had a "team of experienced professionals";
- d. failing to disclose that it used investor funds to pay purported profits to other investors, in the manner of a Ponzi scheme.

Based on the foregoing findings, the Commissioner is of the opinion that the securities offered or sold by World Over the Counter Limited, doing business as World OTC, were subject to qualification under the CSL and have been or are being offered or sold without first being qualified in violation of Corporations Code section 25110.

Pursuant to Corporations Code section 25532, World Over the Counter Limited, doing business as World OTC, is hereby ordered to desist and refrain from the further offer or sale of securities in California, including but not limited to investment contracts known as Investments, unless and until the qualification requirements of the CSL have been met.

In addition, the Commissioner is of the opinion that World Over the Counter Limited, doing business as World OTC, offered or sold securities in California by means of oral or written communications which included untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, in violation of Corporations Code section 25401.

Pursuant to Corporations Code section 25532, World Over the Counter Limited, doing business as World OTC, is hereby ordered to desist and refrain from offering or selling or buying or offering to buy any security in California, including but not limited to investment contracts known as Investments, by means of any written or oral communication which includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

Pursuant to Corporations Code section 25403, any person who controls or induces another person to violate a provision of the Corporate Securities Law of 1968, or any person who provides substantial assistance to another person in violation of the Corporate Securities Law of 1968, shall be liable for the violations.

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This Order is necessary, in the public interest, for the protection of investors, and is consistent with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

Dated: September 27, 2022 San Diego, California CLOTHILDE V. HEWLETT Commissioner of Financial Protection and Innovation



 $By_{\underline{}}$ MARY ANN SMITH **Deputy Commissioner Enforcement Division**